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22 September 1983

MEMORANDUM FOR: Robert M. Gates
Deputy Director for Intelligence

FROM: SA/DCI/IA

SUBJECT: NSC Meeting on Central America, 23 September 1983

1. The NSC will meet from 11:00-12:00 Friday morning in the Cabinet Room. The meeting is principals plus one. A copy of the agenda is attached.

2. You are scheduled to present a 5 minute intelligence overview. DDI/ALA has prepared talking points on the first and third tics prescribed by the agenda. 25X1
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3. The key issues for discussion at the meeting are:

-- Is our Central American policy working?

-- What more should we be doing?

John Horton has prepared some comments for your use in this discussion.

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5. This book includes talking points for your use, and, for your background information, materials from the DCI's NSPG, SSCI and HPSCI meetings 25X1
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6. You may wish to meet with , Dewey Clarridge, and John Horton tomorrow morning to review the situation and your preparation for the NSC meeting. (This is a recent practice I've established for the DCI; I believe he has found it useful). Please let me know if I may assist in arranging such a meeting or if you need anything else for the meeting. 25X1

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NSC MEETING
ON CENTRAL AMERICA
SEPTEMBER 23, 1983; 11:00-12:00

AGENDA

I. Introduction — William P. Clark (2 minutes)

II. Intelligence Overview — Robert M. Gates (5 minutes)

-- Nicaragua - the Cuban-Soviet connection; major changes.

-- The resistance and the latest efforts in the field; update on resistance targets.

-- El Salvador - the guerrilla perspective.

III. The Diplomatic Front — George P. Shultz (15 minutes)

-- Stone and the Contadora process; the view from Central America.

-- Current legislative approach:
- Continuing resolution;
- Boland/Zablocki;
- FY 85 budget proposals.

-- Regional impact of our diplomatic/leglisative situation.

IV. The Military Equation — Paul Thayer/ John W. Vessey (15 minutes)

-- El Salvador - how are they doing militarily; can they keep it up? Training, equipment, morale, effectiveness.

-- The Regional Military Training Center/US base access.

-- Ahuas Tara II/fleet exercises - regional impact.

-- Regional military efforts (CONDECA) policy implications.

V. General Discussion — (15 minutes)

-- Is the policy working? What more should we be doing?

VI. Wrap-up — William P. Clark (5 minutes)

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22 September 1983

NSC TALKING POINTS

CENTRAL AMERICA SITUATION

Overall political and military trends in Central America have generally been favorable over the past two months.

-- In Nicaragua, the anti-Sandinista insurgents have stepped up their operations in the interior, and their spectacular air attacks and sabotage operations have embarrassed the regime.

-- The Salvadoran military is performing better and has generally held the tactical initiative, although it is currently under pressure from new guerrilla attacks in the east.

-- In Guatemala, the new chief of state is more willing to cooperate militarily with El Salvador and Honduras, and he wants to revive a regional defense alliance, that would include Costa Rica and Panama.

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-- In Honduras and Costa Rica, the situation also remains generally favorable, and Nicaragua has been hurt by recent failed subversive efforts in both countries.
-- In Honduras, a joint Cuban-Nicaraguan attempt to establish an insurgent infrastructure has been a dismal failure, and in Costa Rica the capture of a Basque terrorist who infiltrated from Nicaragua has damaged Managua's relations with Spain.

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Looking at Nicaragua in more detail, we have firm evidence that Soviet and Cuban military support for the Sandinistas is continuing.

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-- Moscow evidently is willing to risk another incident involving US naval surveillance of such deliveries.
-- Meanwhile, Nicaragua has been granted observer status in CEMA, indicating that Soviet Bloc economic ties will continue to expand.

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The Cubans also continue to provide military support.

-- the Cubans are playing a key role in organizing and training the new Sandinista territorial militia force. 25X1

-- The Cubans are making a special effort to hide their presence, however, probably as a result of Castro's public offer to withdraw his "200" military advisers in Nicaragua.

-- We still estimate there are some 1,500 to 2,000 Cuban advisers there, and we are watching closely to detect signs of any further increase.

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Libya also continues to send military aid to Nicaragua.

-- Two Boeing 707s have arrived via Havana since late August, and more flights are scheduled.

-- Qadhafi has been unable to get intermediate landing rights for larger IL-76 transport needed to carry heavy military cargo to Managua.

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Turning briefly to El Salvador, we know that most insurgent leaders view the military situation on pessimistic terms, believing that their forces have generally been contained.

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-- They also believe they lack enough popular support for a military victory, and were bothered by increased desertions during the amnesty period.

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Reliable reports indicate that the different insurgent factions are strongly divided over whether negotiations can yield positive results.

-- The largest insurgent faction still believes that strong military pressure is the best strategy.
-- Nevertheless, the Cubans and Nicaraguans are urging negotiations with the government to relieve current military pressures and buy time for the struggle.
-- They may hope the strategy will also divide the Salvadoran government and military, possibly promoting a rightist coup.
-- Another key goal is to postpone or discredit the scheduled 1984 elections.

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As a result, the insurgents are pushing the negotiations option to enhance their political posture and gain international support.

-- They appear determined to launch a new joint offensive by October to enhance their military credibility and strengthen their negotiations posture.

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-- Their recent surprise attack on San Miguel, the largest city in eastern El Salvador, indicates they remain a potent force, and Army casualties are again on the rise.
-- Some reports indicate the insurgents may get mobile air defense missiles and artillery from Nicaragua to enhance their capabilities.

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NIO/LA
20 September 1983

PRESSURES ON THE SANDINISTA DIRECTORATE

The past few months have seen the once-ebullient Sandinista Directorate take on a harried air. Various pressures have brought them to this:

- One is the subject of today's discussion, an insurgency in their own territory: The FDN is now in the central part of Nicaragua, the Miskitos in the east, and the ARDE in the south.

- In the spring and early summer formerly sympathetic Europeans -- members of the Socialist International among them -- began to show impatience with the Sandinistas for their treatment of the democratic opposition in Nicaragua, for their regularly suppressing La Prensa, for their equivocation on elections.

- The deployment of our forces to the region in July was denounced by the Sandinistas: At the same time it stimulated them to consider negotiations seriously as a way of deflecting this threat. Other Latin American governments also counselled negotiation with renewed vigor.

- Castro himself counselled moderation at this time.

- While Castro maintains advisers and combat personnel in Nicaragua, neither he nor the Soviets will honor a Nicaraguan blank check and the Sandinistas are sobered by this.

- The army of El Salvador seized the initiative in mid-summer and has dislodged the guerrillas from territories they considered their own. In addition to that, the insurgency in Nicaragua has disrupted supplies to the guerrillas in El Salvador.

- Other Latin American nations have put pressure on Nicaragua to live up to past promises. The Contadora Group has lost patience with Nicaragua and is insisting now on agreements which pledge Nicaragua to a democratic opening, reluctantly and we think deceitfully, agreed to by the Foreign Minister, d'Escoto. President Betancur of Colombia, who had been helpful to the Sandinistas, has drifted from their side and even the Mexicans, who alone of the Contadora countries cater to the Sandinistas, have agreed to join the others in holding Nicaragua to a democratic opening. The Mexicans also have decided to ask the Nicarguans to pay for the oil heretofore delivered without payment.

- The other Central American countries have refused to deal bilaterally with Nicaragua -- the Sandinistas had tried hard to drive wedges among them -- but have remained relatively united in their approach to the Sandinistas.

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- The Stone mission -- our talking to the Salvadoran guerrillas -- the Salavadoran Peace Commission separately talking to the guerrillas' political front -- the FDR/FMLN -- have deflated Sandinista accusations of US intransigence.

- Specific recent events such as the destruction of the petroleum facility at Puerto Sandino forcefully remind the Sandinistas that they cannot with impunity attack neighboring countries -- there is a cost to them.

- Last, a Marxist-Leninist from Latin America can command instant attention in some circles both here and abroad, especially if he impugns the judgment and the motives of the United States. Nevertheless, the newspaper stories being written about Central America now seem less credulous, less black-and-white. More and more reporters seem to be regarding Sandinistas and the guerrillas in Salvador as a set of violence-prone politicans rather than as a romantic revolutionaries. This has helped to turn a level less starry-eyed gaze on developments in Central America.

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GEORGE P. SHULTZ

SECRETARY OF STATE

BEFORE THE

SENATE SELECT COMMITTEE ON INTELLIGENCE

SEPTEMBER 20, 1983

Mr. Chairman, I come before this Committee to ask your support in a matter of paramount importance to U.S. foreign policy.

Central America is beset by a vicious cycle of economic deprivation, political oppression and violence. For generations, these evils have fed each other. Today, the impact of the global recession and of Cuban intervention have aggravated both misery and organized violence to a point that is ripe for exploitation by our adversaries and threatening to a broad range of U.S. interests, including national security.

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The members of this Committee know well the nature of this threat and how seriously the Administration views it. Likewise, you are well aware of what we are trying to do in response. President Reagan, in his April 27 speech to a joint session of Congress, spelled out our policy in detail. It is a sophisticated, long-range policy with four interrelated components. They are: support for democracy, reform, and human freedom; support for economic development; support for dialogue and negotiation among the countries of the region and within each country; and support for the security of the threatened nations of the region as a shield for democratization, development, and diplomacy.

All of these elements are essential to lasting peace in Central America. One of them stands out, however, as perhaps the most urgently and earnestly sought after both in this country and abroad. That is the realization of genuine dialogue among all parties in Central America leading to peaceful settlement of the region's conflicts. Solutions imposed by violence -- as the history of the region shows -- will only lead to more violence.

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With regard to Nicaragua, the record of the United States in the search for dialogue and peaceful reconciliation is clear and consistent:

-- in 1978, the United States participated in a three-nation mission of "friendship and reconciliation" under OAS auspices in an effort to find a peaceful solution to the conflict in Nicaragua.

-- after the fall of Somoza in 1979, the United States for nearly two years used economic assistance and diplomatic support to encourage the Sandinistas to respect their commitments to political pluralism, free elections, a mixed economy, and a non-aligned foreign policy;

-- in August 1981, after Nicaragua had secretly but massively supported guerrilla warfare in El Salvador, the United States presented a five point peace proposal to the Sandinistas;

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-- in April 1982, the United States presented the Sandinistas an eight point proposal to solve regional problems;

-- in October 1982, the United States, along with seven other regional democracies, signed the San Jose Declaration;

-- today, the United States is encouraging the multilateral efforts of the Contadora group as it has since they started in January 1983.

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Equally clear and consistent has been the response of the Government of Nicaragua. The Sandinistas have:

-- increased their armed forces from 14,000 to 70,000;

-- received 2,000 Cuban military advisers, as well as smaller numbers of Soviet and Eastern European bloc security personnel;

-- reneged on their promises of early elections, repressed moderate opposition groups, and initiated the establishment of a state aligned with and modeling itself after the Soviet Union;

-- in conjunction with Cuba, provided active military support to guerrilla groups in El Salvador;

All of these actions were taken or begun during the regime's first 18 months, despite the U.S. policy to achieve an accommodation with the new government. The only ones who pushed Nicaragua into the arms of Cuba and the USSR were the Sandinista leaders themselves.

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In addition, the Sandinistas:

-- rejected our August 1981 proposal;

-- failed to give a substantive reply to our April 1982 proposal;

-- refused to consider the October 1982 San Jose Declaration as a basis for further discussions;

-- refused for many months to give serious attention to their neighbors' proposals in the Contadora process.

This is a history of Nicaraguan intransigence -- an illustration of the clear intent of the Sandinistas to push aside efforts at negotiated peace while pursuing single-mindedly their goal of region-wide revolution. It is the Sandinistas' own actions -- not U.S. policy -- that have alienated their neighbors and growing numbers within their own society.

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Let me stress that this is not exclusively a conclusion of this Administration. Every one of Nicaragua's Central American neighbors sees the Sandinistas as a threat to its security. There is not a country in the area that does not express alarm -- particularly in private -- over Nicaragua's destabilizing influence.

It is obvious to us and to our friends in Latin America that only a force greater than the Sandinistas' fervor for spreading subversion will change their behavior. That force has now emerged. It is the Nicaraguan resistance movement. This movement, operating on several fronts, represents the deeply felt revulsion to Sandinista internal repression and pro-Soviet policy abroad. This same revulsion is widely shared among Nicaragua's neighbors, whose appeals to the Sandinistas to change their behavior have been brushed away.

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Only now that this revulsion has found a vehicle that the Sandinistas cannot ignore is there any real hope for shaking the Sandinistas from their intransigence and bringing them to the negotiating table. The finding that Director Casey is presenting today provides for U.S. support to the Nicaraguan resistance movement.

Our aim is to enhance the ability of the opposition forces to keep pressure on the Nicaraguan regime so that this pressure will convince the Sandinistas to stop subverting their neighbors and conclude that dialogue, not violence, is the only route they can safely take.

If Nicaragua stops its objectionable behavior, we will relieve the pressure. If, however, we lift the pressure now -- without changes in Sandinista actions -- it would be a green light for continued subversion and violence and a setback for dialogue and reconciliation.

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It is no accident that the first signs of Sandinista interest in reaching agreement with their neighbors have come since resistance to their intransigence has taken shape. On July 19, Sandinista Junta Coordinator Daniel Ortega announced a six-point peace plan. Though flawed, this plan included for the first time Nicaragua's acceptance of multilateral negotiations as well as other ingredients generally regarded as essential to peace. A few days later, the Sandinistas' mentor, Fidel Castro, admitted the presence of Cuban military advisers in Nicaragua and offered his own formula for peace. A month after this, representatives of the Salvadoran guerrillas met for the first time with the Salvadoran Government's Peace Commission -- a meeting facilitated by Ambassador Stone. Only a few days ago, the Contadora process produced a 21-point peace plan which Nicaragua--grudgingly we understand--agreed to consider.

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These initial moves toward possible peaceful agreement, following a long period of intransigence by the Sandinistas and Cubans, are partly attributable to the pressures being felt from the determined resistance of neighboring countries to a Nicaraguan-sponsored subversion and the demonstrated capacity of the United States to assist these threatened nations. Most significantly, however, they reflect the pressures being brought on the Sandinistas by the Nicaraguan resistance movement.

This resistance movement is the major threat to complete Sandinista domination of Nicaragua. It is the strongest incentive for the Sandinistas to make the compromises necessary for a political settlement in Central America.

Denying the President authority to assist this movement would, in my judgment and that of my colleagues, reduce any Sandinista interest in compromise and destroy whatever opportunity now exists for a peaceful agreement between Nicaragua and its neighbors.

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POSITIVE DEVELOPMENTS IN CENTRAL AMERICA

In the last few months, there has been a palpable shift in momentum in Central America, to the detriment of Cuban-supported subversion in the region. Cuba's interventionist policy was predicated in large measure on the continuance of the "Vietnam syndrome" within U.S. policy levels, but a body of evidence indicates Fidel Castro has been thrown off balance by the forcefulness of the U.S. commitment in the region. For the first time in many years, the Cubans are finding themselves on the defensive in their own backyard, facing a growing isolation in the hemisphere as a result of their support of Nicaragua and the guerrilla forces in El Salvador. A number of positive developments have contributed to this shift in momentum.

In Nicaragua, the anti-Sandinista activity has forced both the Cubans and the Nicaraguan Government (GRN) to divert resources previously available to the Salvadoran guerrillas.

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- In early August, the "contra" forces in the north (FDN/Misura) began pushing deeper into central Nicaragua, regaining their earlier momentum. Defense Minister Ortega has acknowledged the increased contra activity and the fact that they are better organized than earlier this year.

- In the southern front, Pastora's ARDE forces have been very active establishing an infrastructure, and recently have gone on the offensive with some significant attacks.

- In addition, there have been contacts at the political level between the FDN/Misura and ARDE, and the rhetoric between the two forces has toned down considerably as they look for areas of possible cooperation.

The resilience of the contras, despite insufficient equipment and serious resupply problems, has forced the GRN to acknowledge publicly the nature of the threat. This in turn has brought focus in international fora on the failure

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of the GRN to fulfill its commitments to pluralism and has brought about a definite recognition, particularly within the Socialist International (SI), of the need to pressure Nicaragua regarding these commitments and its strong Cuban/Soviet ties. (The nature and form of the pressure, however, differ among the SI members, and few are sympathetic to U.S. handling of the situation. Nevertheless, the contra activity has precipitated moves by the SI leaders to become involved.)

In El Salvador, the most dramatic change has been the government-initiated military offensive, which for more than three months has kept the guerrillas on the defensive and on the run.

- The aggressive strategy of Defense Minister Vides Casanova, his frequent visits to the frontline units, the switch from five-day week to full-time combat, the significant decrease (60 percent in July) in the Army

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casualty rate, ~~have all~~ contributed to turning the momentum in favor of the government.

- With regard to reforms, the sustained military operations have enabled the accompanying civic action programs to spread much faster than originally envisioned and could undercut the insurgents' popularity in many of their former strongholds.

- The simultaneous amnesty program (16 May - 15 August) allowed the release of 554 political prisoners. About 585 guerrillas/supporters sought amnesty, the combatants generally claiming they were tired and had lost hope. Some Army field commanders have been encouraged by the guerrilla defections and the reported decline in guerrilla morale.

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- The military has shown greater sophistication in debriefing the defectors and has made good use of tactical information provided. While the military initially opposed the amnesty, many became believers regarding its usefulness and would have preferred to see it continue.

The Salvadoran guerrillas' failure to regain the initiative has underscored weaknesses and divisions within the FMLN.

- These have been exacerbated by the Magana Government's offer to hold negotiations and the FMLN's dilemma over how to respond.

- Throughout August, Salvadoran Communist Party leaders referred to very serious divisions in the FMLN and that FMLN finances were at their worst point since the beginning of the guerrilla movement.

- Salvadoran guerrilla leadership has been forced to adopt emergency strategy of moving camps frequently to avoid U.S. reconnaissance aircraft and government ground sweeps.

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- Guerrilla leadership alarmed by continuation of food shortages, high desertion rate - particularly of personnel taking weapons with them - and by Army's effective use of small unit tactics.

- In early September, the guerrillas launched their first major attack in months at San Miguel. While the guerrilla destruction included two highway bridges, one railroad bridge, 19 military killed and 35 wounded, the army reacted professionally and maintained control.

- A recent plan to provide guerilla forces with artillery (presumably recoilless rifles) and Nicaraguan instructors had to be postponed because the guerillas could not provide safehouses for the Nicaraguans.

Most important, the Salvadoran guerrillas have beccme acutely aware that their fate hangs on Cuban/Nicaraguan policy shifts. This fact is undoubtedly causing a great deal of

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uncertainty within the FMLN leadership, particularly in view of recent indications by Havana and Managua that this support is negotiable.

- Despite four years of effort, the guerrillas have failed to engender an insurrectional mood in El Salvador.

- The viability of the guerrillas' strategy of victory by prolonged stalemate has been seriously weakened by the Army's sustained offensive and the accompanying civic action programs.

- The guerrillas' dependence on external support and resupply makes them increasingly vulnerable to political forces beyond their control, assuming the U.S. commitment in Central America is sustained and pressure on the Cubans/Nicaraguans regarding support to the FMLN is maintained.

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Regional and international developments also indicate certain favorable trends.

- Deployment of the fleet and the Ahuas Tara exercise have clearly demonstrated the strength of the U.S. resolve in the region. While some, including Presidents de la Espriella of Panama and Monge of Costa Rica, publicly have criticized this show of force, privately they have endorsed it as providing a sense of security to those most threatened by Cuban/Nicaraguan subversion.

- The imaginative use of the limited resources available in the Ahuas Tara exercise is serving to bolster Honduran defense capabilities, particularly anti-tank, to deal with a possible Nicaraguan conventional military incursion. This also has provided a significant psychological boost to the Hondurans, which is ever as important as the military aspects.

- Panama's shift to an anti-Nicaragua/Cuba position, and National Guard Commander Noriega's most recent offer of assistance to the Salvadoran military are notable departures from that country's normal policy line.

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- Guatemala's new government wants increased military cooperation with El Salvador and Honduras, including cooperation in arms interdiction.

- Venezuela, like Panama, no longer believes diplomatic efforts alone will be fruitful. Rather, Venezuelan leaders now estimate that additional pressure, not excluding military, is necessary to bring the Sandinistas to real negotiations.

- Venezuelan training teams have returned to El Salvador to begin training two additional mini-battalions. Venezuela recently hosted Honduran Commander-in-Chief Alvarez and the discussions included military cooperation. [redacted] 25X1

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- The Spanish Government has sent a team of intelligence

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officers to El Salvador to debrief guerrilla defectors regarding the role of the Basque ETA in the region. The results of these debriefings will surely be presented to Prime Minister Felipe Gonzalez.

- France has agreed not to make any new sales of military equipment to Nicaragua.

- Contadora negotiations have clearly demonstrated Nicaraguan recalcitrance, resulting in the isolation of Nicaragua and the forging of a unity among the remaining Central American countries. Through Contadora, Mexico has finally publicly recognized the destabilizing role of Cuba in the region (albeit with the U.S. charged as equally responsible).

Until about three months ago, the bulk of reporting indicated the Cubans felt confident the guerrillas would soon bring down the Salvadoran Government. However, as the Salvadoran armed forces have taken the offensive and kept the guerillas on the run; the contras have kept up pressure in

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Nicaragua; the U.S. has sent a forceful presence into the region; and the Contadora initiave has unmasked in the international sphere the Cuban/Nicaraguan subversive role and coopted Cuba's diplomatic/propaganda strategy, both the Cubans and the Nicaraguans have been forced to reevaluate their game plan.

While Castro is on the defensive, he has many options available to him. Recent intelligence indicates he will try some form of negotiations to stall for time to enable him to regain the initiative. Any relaxation of pressure at this time would work to his advantage, although such pressure, particularly military, must be carefully applied. While he is stalling with negotiations, he will initiate other

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offensive moves in the region, including efforts to destabilize the situations in Costa Rica and Honduras in order to reduce pressure on Nicaragua by anti-Sandinista groups. These initiatives are already underway.

- Recent reporting indicates the Cubans, through the Costa Rican Communist Party (PVP), are fomenting labor strikes aimed at the ultimate collapse of the Costa Rican economy.

- In Honduras, reporting from various sources indicates that a Cuban-trained mercenary force of about 120 Hondurans and Costa Ricans, led by Nicaraguans, has infiltrated into central Honduras via Nicaragua to initiate destabilizing actions.

- The Honduran military has confronted this force. Some 16 guerrillas have been captured and the remainder are on the run, suffering malnutrition, disease and low morale. The guerrillas have been unable to conduct offensive operations of any kind, and the Army's humane treatment of the prisoners has encouraged desertions.

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In sum, the recent guerrilla attack at San Miguel does not indicate the guerrillas have recouped enough to launch a sustained offensive in the immediate future, although we can expect more hit and run attacks as they try to reestablish their credibility. The Cuban/Nicaraguan sponsored move against Honduras is being successfully neutralized by the Honduran military, no doubt giving new pause for thought in Havana and Managua. While the latest reports add more weight to the belief that both Cuba and Nicaragua are feeling the pressure, their willingness to negotiate is still viewed as a tactic to stall for time and try to regain the international initiative.

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